

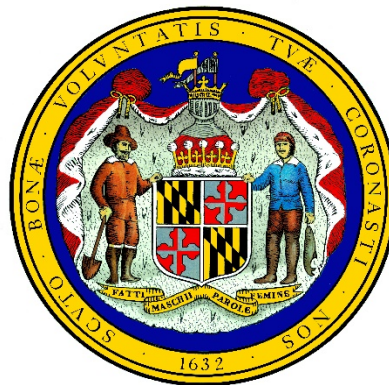
Audit Report

Department of State Police

February 2024

Public Notice

In compliance with the requirements of the State Government Article Section 2-1224(i), of the Annotated Code of Maryland, the Office of Legislative Audits has redacted cybersecurity findings and related auditee responses from this public report.



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DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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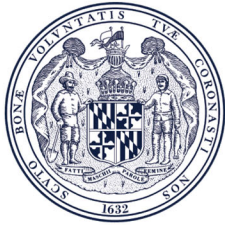
Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore, Maryland 21201
Phone: 410-946-5900
Maryland Relay: 711
TTY: 410-946-5401 · 301-970-5401
E-mail: webmaster@ola.state.md.us
Website: www.ola.state.md.us

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

February 28, 2024

Gregory A. Hook, CPA
Legislative Auditor

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Department of State Police (DSP) for the period beginning May 21, 2018 and ending May 31, 2022. DSP comprises the Maryland State Police, the Office of the State Fire Marshal, and the State Fire Prevention Commission.

Our audit disclosed that DSP did not ensure that a sufficient number of quality control (QC) reviews of handgun qualification license applications (HQL) and firearm registration applications were conducted. DSP conducted QC reviews of 3.1 percent of firearm registration applications during our audit period while its policy requires 10 percent of firearm applications be reviewed. In addition, DSP modified its policy and reduced the required number of QC reviews for HQL applications from 10 percent to 1 percent which, in our opinion, is not sufficient. DSP could not readily provide us with the number of HQL QC reviews performed during our audit period nor the percentage of past errors for HQL applications. Additionally, the majority of QC reviews were not completed timely, in accordance with DSP written policies, and certain HQL QC reviews were conducted by employees who processed the related HQL.

DSP did not have a comprehensive process to ensure the accuracy of all firearm registration data recorded in its automated record of regulated firearms. We identified approximately 600 discrepancies with data entered in the system and noted another 15,100 firearm registrations had not yet been entered as of September 2022.

In addition, audits DSP performed on registered firearm dealers were not properly documented to allow for supervisory review or follow up. Furthermore, DSP had not established adequate controls over its cash collections and related accounts receivables.

Our audit also disclosed certain cybersecurity-related findings. However, in accordance with the State Government Article, Section 2-1224(i) of the Annotated Code of Maryland, we have redacted the findings from this audit report. Specifically, State law requires the Office of Legislative Audits to redact cybersecurity findings in a manner consistent with auditing best practices before the report is made available to the public. The term “cybersecurity” is defined in the State Finance and Procurement Article, Section 3.5-301(b), and using our professional judgment we have determined that the redacted findings fall under the referenced definition. The specifics of the cybersecurity findings were previously communicated to those parties responsible for acting on our recommendations.

Finally, our audit included a review to determine the status of the 11 findings contained in our preceding audit report. For the non-cybersecurity-related findings we determined that DSP satisfactorily addressed 6 of these findings. The remaining 2 findings are repeated in this report and presented as 3 findings.

DSP’s response to this audit is included as an appendix to this report. We reviewed the response to our findings and related recommendations, and have concluded that the corrective actions identified are sufficient to address all audit issues. Additionally, in accordance with our policy, we have edited DSP’s response to remove vendor names or products. Finally, consistent with State law, we have redacted the elements of DSP’s response related to the cybersecurity audit findings.

We wish to acknowledge the cooperation extended to us during the course of this audit by DSP. We also wish to acknowledge DSP’s willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive, flowing style.

Gregory A. Hook, CPA
Legislative Auditor

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Agency Response

Appendix

Background Information

Agency Responsibilities

The Department of State Police (DSP) operates under the provisions of Title 2 of the Public Safety Article of the Annotated Code of Maryland. The Code provides that DSP shall safeguard the lives and the safety of all persons within the State, protect property, and assist in securing to all persons the equal protection of the laws. DSP provides these services through a headquarters unit located in Pikesville, Maryland and 23 barracks and detachments located throughout the State. In addition, DSP includes the State Fire Marshal and the State Fire Prevention Commission. According to the State's accounting records, during fiscal year 2022, DSP's expenditures totaled approximately \$469.7 million (see Figure 1 on the following page).

Figure 1
DSP Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2022		
	Positions	Percent
Filled	2,250	86.6%
Vacant	347	13.4%
Total	2,597¹	
Fiscal Year 2022 Expenditures		
	Expenditures	Percent
Salaries, Wages, and Fringe Benefits	\$389,551,564	82.9%
Technical and Special Fees	2,327,971	0.5%
Operating Expenses	77,828,212	16.6%
Total	\$469,707,747	
Fiscal Year 2022 Funding Sources		
	Funding	Percent
General Fund	\$343,439,758	73.2%
Special Fund	108,601,200	23.1%
Federal Fund	12,375,831	2.6%
Reimbursable Fund	5,290,958	1.1%
Total	\$469,707,747	

Source: State financial and personnel records

Maryland Center for School Safety

Our previous audit of DSP included a review of the Maryland Center for School Safety (MCSS). Chapter 30, Laws of Maryland 2018, effective June 1, 2018, established MCSS as an independent unit within the Maryland State Department of Education (MSDE) and transferred the existing appropriations and positions from DSP to MSDE. As such, MCSS activity from May 21, 2018 through May 31, 2018 was subject to audit during this audit. MCSS activity after May 31,

¹ The 2,597 full-time equivalent positions listed in Figure 1 is approximately 100 positions more than DSP's budgeted regular positions of 2,505 for fiscal year 2022. According to DSP management, in addition to the budgeted positions, DSP has 100 non-budgeted "placeholder" positions in the State's personnel system that are used to place candidates into the State Police Academy. Once a candidate graduates from the academy, they are then assigned a budgeted position. Excluding the candidate placeholder positions, the filled and vacant position totals above would be 2,206 and 299, respectively.

2018 was not included in our MSDE audit scope, but subject to a separate audit with the results included in an audit report dated January 11, 2023.

Special Review of Emergency Procurements Related to the State of Maryland's COVID-19 Response

On December 13, 2021, we issued a report on our *Review of Certain Emergency Procurements Related to the State of Maryland's COVID-19 Response*. This review included an assessment of the procurement and accountability of certain emergency procurements associated with the State's COVID-19 response. As part of this assessment, we tested 15 emergency procurements procured or used by 6 State agencies including 1 procurement related to DSP. The finding related to DSP included the following:

- Personal Protective Equipment (PPE) items were not procured in accordance with State procurements regulations which included requirements for contracts to contain critical provisions regarding modifications, delays, and extensions.
- Documentation was lacking to support that the PPE purchases were received and that they were inspected to ensure they met the applicable requirements.
- Documentation was lacking to support that the PPE purchases were distributed to DSP barracks or other State agencies.

Due to the close proximity of this review's date to our current DSP audit period, we did not follow up on the aforementioned finding during our current audit.

Status of Findings from Preceding Audit Report

Our audit included a review to determine the status of the 11 findings contained in our preceding audit report dated September 23, 2019. As disclosed in Figure 2, for the non-cybersecurity-related findings we determined that DSP satisfactorily addressed 6 of the findings. The remaining 2 findings are repeated in this report, but presented as 3 findings.

Figure 2
Status of Preceding Findings

Preceding Finding	Finding Description	Implementation Status
Finding 1	Indirect cost billing rates were not revised timely, resulting in unrecovered indirect costs totaling an estimated \$2.7 million.	Not repeated
Finding 2	During fiscal years 2016, 2017, and 2018, DSP recorded certain transactions to several special fund balances that were not consistent with State law, to eliminate an unexplained \$2.5 million deficit dating back to at least June 30, 2015.	Not repeated
Finding 3	DSP had not established adequate controls over its collections and the related accounts receivable from other governmental units and private entities.	Repeated (Current Finding 8)
Finding 4	DSP did not determine the composition of a non-budgeted fund clearing account balance totaling \$821,000 nor report the balance to the Comptroller of Maryland – General Accounting Division as required.	Not repeated
Finding 5	DSP did not comply with State procurement regulations when procuring helicopter maintenance services and aviation fuel valued at approximately \$12.1 million.	Not repeated
Finding 6	DSP did not have a comprehensive process in place to ensure the accuracy of all critical handgun registration data recorded in its automated record of regulated firearms, and did not conduct timely independent quality control reviews of approved applications.	Repeated (Current Finding 1 and 2)
Finding 7	Sensitive personally identifiable information maintained by DSP in one licensing system was stored without adequate safeguards.	Status Redacted ²
Finding 8	DSP lacked assurance that adequate security and operational controls existed over its Records Management System.	Status Redacted ²
Finding 9	Certain outdated software and security-related settings on DSP computers were not sufficient to provide DSP with adequate assurance that its computers were properly protected.	Status Redacted ²
Finding 10	DSP did not periodically review daily fuel usage reports to verify the propriety of fuel dispensed into its State vehicles.	Not repeated
Finding 11	DSP lacked documentation that annual physical inventories of its sensitive equipment were completed, and could not document the investigation and reporting of certain sensitive items recorded in its equipment records as missing.	Not repeated

² Specific information on the current status of this cybersecurity-related finding has been redacted from the publicly available report in accordance with State Government Article, Section 2-1224(i) of the Annotated Code of Maryland.

Findings and Recommendations

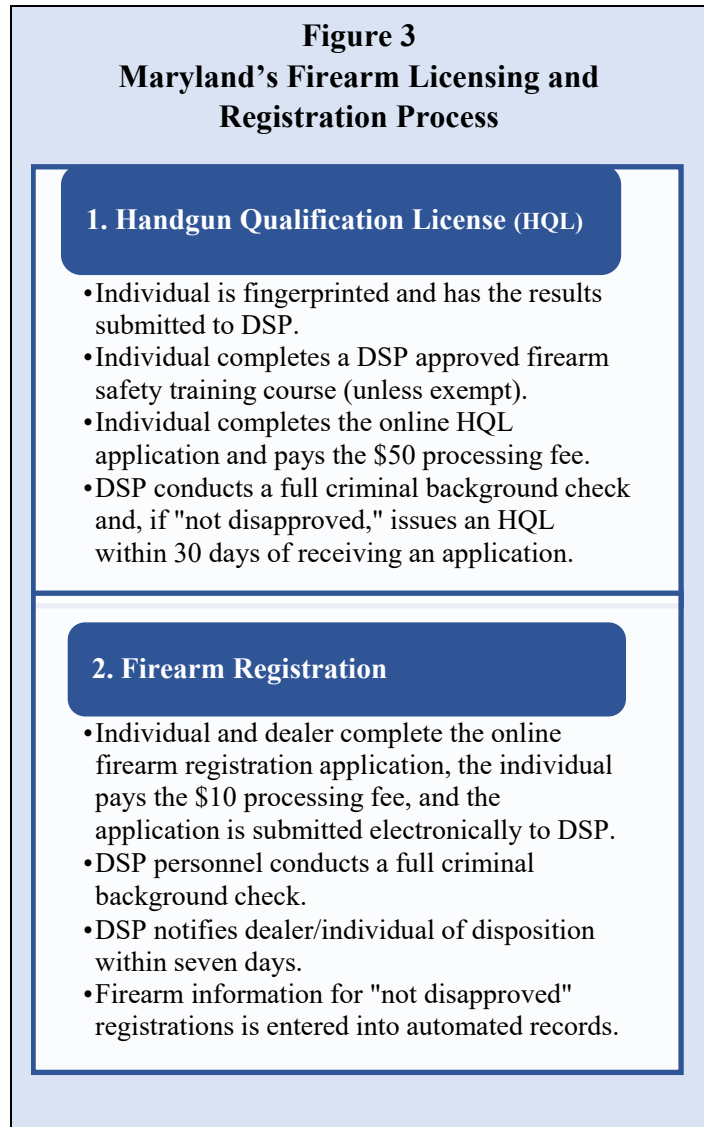
Firearm Licensing and Registration

Background

Obtaining and registering a regulated firearm³ in Maryland is a multi-step process with specific procedural and documentation requirements for firearm dealers, the Department of State Police (DSP), and firearm applicants as noted in Figure 3. The Firearms Safety Act of 2013, effective October 1, 2013, provides that a firearm dealer or any other person may not sell, rent, or transfer a firearm unless the individual receiving the firearm first obtains and presents to the dealer or other person a valid Handgun Qualification License (HQL) issued by DSP.

State law requires HQL applicants to be fingerprinted, submit to an initial criminal background check by DSP, and complete an approved firearm safety training course. Certain individuals, such as former police officers, are exempt from the HQL requirement.

The HQL application and firearm registration processes are treated as two separate events. Consequently, after an HQL is obtained (or is exempt



³ A regulated firearm as defined by Section 5-101(r) of the of the Public Safety Article of the Annotated Code of Maryland is a handgun or a firearm that is any of a list of specific assault weapons or their copies, regardless of which company produced and manufactured the weapon. Examples of specific named assault weapons included are AK-47 in all forms; Colt AR-15, CAR-15, and all imitations except Colt AR-15 Sporter H-BAR rifle; and UZI 9mm carbine or rifle. We will refer to regulated firearms as "firearms" throughout our report.

as noted above), the individual and dealer complete an online firearm registration application. This application is forwarded to DSP for evaluation, including another criminal background check. If the application is not disapproved⁴ by DSP, the firearm can be transferred.

DSP uses certain automated systems and databases to track and process HQL and firearm registration activity.

- **MyLicense** is a web-based system DSP uses to receive and process HQL applications and document the status of the related criminal background checks.
- **Licensing Portal** is a web-based system used by applicants and dealers to complete and submit firearm registration applications. DSP uses the Licensing Portal to process and track firearm registration applications and the status of the related criminal background checks.
- **Maryland Automated Firearms Services System (MAFSS)** is the official record of regulated firearm transactions in the State, and records firearms information and data from the registration applications. MAFSS is also used for a variety of law enforcement purposes, such as to assist in investigating crimes. The Department of Public Safety and Correctional Services (DPSCS) is responsible for the maintenance and security of MAFSS.⁵

According to MAFSS, as of June 29, 2022, there were approximately 1.6 million firearms registered to approximately 596,000 individuals in Maryland (including both pre and post October 1, 2013 registrations). According to DSP records, DSP received approximately 48,000 HQL applications and 118,000 firearm registration applications during calendar year 2022. According to the State's accounting records, HQL and firearm registration application fee collections during calendar year 2022 totaled \$2 million and \$1.1 million, respectively.

⁴ "Not disapproved" is the terminology used by DSP for approved.

⁵ Per DSP, MAFSS was the official record of regulated firearm transactions in the State through 2022. On January 1, 2023, the official record of regulated firearm transactions moved to the Licensing Portal.

Finding 1

DSP did not ensure that a sufficient number of quality control (QC) reviews of HQLs and firearm registrations were conducted, the reviews were independent and timely, and the results were properly tracked.

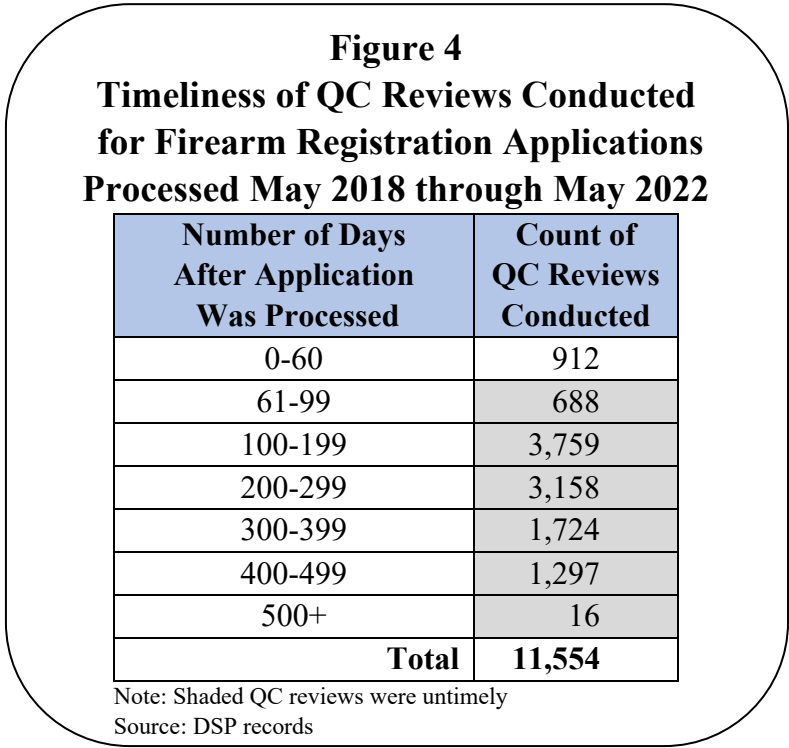
Analysis

DSP did not ensure that a sufficient number of QC reviews of HQLs and firearm registrations were conducted, and that all related results were properly tracked. In addition, the reviews performed were often not timely or the HQL reviews were not always completed by individuals independent of the licensing process. Specifically, DSP did not perform all the firearm registration QC reviews required by its policy. Also, DSP's policy for HQL QC reviews did not require a sufficient number of HQL reviews to be performed, yet DSP could not readily document that they had completed the required number of HQL reviews. In addition, certain HQL QC reviews were conducted by employees who processed the related HQL. The majority of QC reviews were also not completed timely, in accordance with DSP's written policies, which require these independent QC reviews to be performed each month. QC reviews are necessary because HQLs and firearm registrations are generally processed by employees without any independent review and approval.

DSP did not perform a sufficient number of QC reviews for firearm registration applications, as required by its policy. For example, DSP conducted QC reviews for 3.1 percent of the 372,277 firearm registration applications approved from May 2018 through May 2022, instead of 10 percent as required by DSP policy. Of the firearm registration QC reviews performed, 15 percent identified errors, such as background check discrepancies or data entry errors.

In our opinion, DSP policy does not require a sufficient number of HQL QC reviews to be performed. Specifically, we found that in December 2021 DSP modified its policy and reduced the required number of QC reviews for HQL applications from 10 percent to 1 percent. DSP management advised us that this policy change was due to a lack of staff to process a significantly increasing number of HQL applications. DSP could not readily provide us with the number of HQL QC reviews actually performed during our audit period nor the percentage of past errors for HQL applications. While we acknowledge the increasing number of applications, we question the appropriateness of reducing the required number of QC reviews for HQL applications by 90 percent. Due to the lack of adequate recordkeeping, we were not readily able to determine the outcome of the HQL QC reviews performed, but as noted above, similar QC reviews for firearm registration applications have routinely identified issues with applications.

The QC reviews were also not completed timely. DSP policy require HQL and firearm registration QC reviews to be performed monthly. Our test of QC reviews for 10 HQL applications disclosed that 7 of these reviews were performed from 63 to 227 days after processing. In addition, according to DSP records as of September 2022, the 11,554 QC reviews performed for firearm registrations during the period from May 2018 through May 2022 were conducted an average of 230 days (up to 514 days) after the application was processed, hence the vast majority were untimely (see Figure 4).



Finally, HQL QC reviews were not always performed by independent personnel. Our test of 10 HQL QC reviews noted that 2 reviews were completed by the same individual that initially processed the HQL application.

A similar condition related to untimely QC reviews of firearm registration applications was commented upon in our preceding audit report. In its response to our prior audit, DSP indicated it had reviewed and cleared all outstanding QC reviews while OLA was performing the prior audit and it was continuing to perform monthly reviews. However, during our current audit, DSP asserted it was behind on processing QC reviews due to an increase in applications and insufficient staffing.

Recommendation 1

We recommend that DSP

- a. ensure that it performs the required number of QC reviews of approved firearm registration applications;**
- b. identify means or options for increasing the required number of HQL applications subject to QC reviews and retain documentation of the QC reviews to allow for verification and calculation of error rates;**
- c. complete QC reviews of selected HQL and firearm registration applications timely, in accordance with its written policies (repeat); and**
- d. ensure that QC reviews for approved HQL applications are performed by personnel independent from the initial approval of the applications being reviewed.**

Finding 2

DSP did not have a comprehensive process to ensure the accuracy of all critical firearm registration data and the timely recordation of this data in MAFSS.

Analysis

DSP did not have a comprehensive process in place to ensure the accuracy of all critical firearm registration data in its automated record of regulated firearms (MAFSS) and that the data was entered timely. According to DSP records, during the period from May 2018 through May 2022, DSP approved approximately 372,300 firearm registration applications.

DSP did not have a comprehensive process to ensure that all critical firearm registration data (including name of registrant, gun make, and serial number) was accurately entered into MAFSS, which is used for a variety of law enforcement purposes, including assisting in criminal investigations. Firearm registration applications are submitted electronically through DSP's Licensing Portal and if approved, the related firearm data are manually entered into MAFSS by DSP employees. Our review disclosed that DSP did not perform a comparison between the Licensing Portal and MAFSS to identify discrepancies between the firearm data in the two systems. While DSP may verify certain data for accuracy when performing their limited QC reviews and dealer audits noted in Findings 1 and 3, respectively, our comparison of data in the Portal and MAFSS found certain issues that led us to conclude that DSP's verification process was not necessarily effective.

Specifically, our comparison of data from the approximately 372,300 applications recorded in the Licensing Portal during our audit period with the related data in

MAFSS disclosed approximately 600 instances in which the firearm serial numbers in the Licensing Portal and MAFSS were different. Additionally, the data related to approximately 15,100 firearms, which were transferred to the applicant prior to June 2022, had not been entered into MAFSS as of September 2022. DSP personnel informed us that this backlog was because of a significant increase in firearm registrations and certain personnel shortages.

A similar condition relating to DSP not having a comprehensive process to ensure the accuracy of all critical firearm registration data was commented on in our prior audit report. In response to our prior report, DSP advised that it was working with DPSCS on an upgrade to MAFSS that would remove the need for manual recordings in MAFSS and eliminate data entry errors. No estimate was provided for the implementation of the upgrade. DSP advised us in December 2023 that the automated data transfer process will no longer be included in the upgrade to MAFSS and they are exploring other options to eliminate the manual data entry process.

Recommendation 2

We recommend that DSP

- a. establish a comprehensive process to ensure that critical firearm data, such as serial numbers, are accurately recorded in MAFSS, and resolve the above noted discrepancies (repeat); and**
- b. ensure that the firearm registration data is recorded in MAFSS in a timely manner.**

Firearm Dealer Audits

Finding 3

DSP firearm dealer audits were not supported.

Analysis

DSP firearm dealer audits were not supported. According to DSP records, there were approximately 500 active firearm dealers during our audit period. Our test of 11 firearm dealer audits conducted during the period from March 2021 through June 2022 disclosed that the audit files did not include documentation of what was reviewed by the auditor, such as schedules of the firearms and transactions examined.

For example, one dealer audit file was limited to the statement that “Twelve regulated firearms were inventoried. All regulated firearms were properly stored and properly listed in the Acquisitions and Dispositions book.” No details were

provided specifying which 12 were reviewed or how or where the firearms were stored. As a result, we were unable to determine whether the scope of the dealer audits was adequate and related conclusions were supported. In addition, the lack of documentation raises questions regarding how the supervisor who reviewed the audits was able to determine that the work performed was proper.

State law requires DSP to inspect the inventory and records of licensed firearm dealers at least once every two years to ensure that the firearm dealers licensed by DSP are meeting the recordkeeping and inventory requirements established in State law and regulations, such as receipts, sales, and other dispositions of firearms.

Recommendation 3

We recommend that DSP maintain adequate supporting documentation for firearm dealer audits, including the specific documents and transactions reviewed.

Information Systems Security and Control

We determined that the Information Systems Security and Control section, including Findings 4 through 7 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(b) of the Annotated Code of Maryland, and therefore are subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Consequently, the specifics of the following findings, including the analysis, related recommendations, along with DSP’s responses, have been redacted from this report copy.

Finding 4
Redacted cybersecurity-related finding.

Finding 5
Redacted cybersecurity-related finding.

Finding 6
Redacted cybersecurity-related finding.

Finding 7
Redacted cybersecurity-related finding.

Cash Receipts

Finding 8
DSP had not established adequate controls over its cash collections and the related accounts receivables.

Analysis

DSP had not established adequate controls over its collections and the related accounts receivables. According to the State's records, in fiscal year 2022 collections received and deposited by DSP's headquarters totaled approximately \$3.1 million.

- Checks were not always recorded immediately upon receipt. Instead, the checks were restrictively endorsed and placed into the safe for processing on the next business day. In addition, DSP did not have a documented independent verification that all collections were subsequently deposited.
- Four employees could process adjustments to the receivable records without independent approval, including one employee who also had access to the related collections. According to the State's accounting records, these four employees processed adjustments totaling approximately \$40,000 during the audit period. DSP processed adjustments totaling approximately \$146.2 million during our audit period including one adjustment of \$122 million to reclassify a receivable due from the Maryland Department of Health which was independently approved.

Similar conditions regarding not immediately recording collections and the lack of an independent review and approval of adjustments to the accounts receivable records were commented upon in our two preceding audit reports dating back to 2015. Furthermore, a similar condition regarding the lack of adequate segregation of duties between the accounts receivable and cash receipt functions was commented upon in our preceding audit report. In response to that audit report, DSP indicated that it had corrected each of these issues. However, during our current audit, DSP management stated that the prior recommendations were not implemented due to insufficient training. We did note that DSP had taken actions to reduce cash collections since last audit, which had totaled \$13.2 million in fiscal year 2017, by requesting State agencies to transfer funds via journal entries rather than using a check.

Recommendation 8

We recommend that DSP ensure that

- a. all collections are recorded immediately upon receipt (repeat),**
- b. a documented independent verification of initial receipts to deposit is performed,**
- c. adjustments to accounts receivable are subject to independent review and approval (repeat), and**
- d. accounts receivable and cash receipts functions are properly segregated (repeat).**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Department of State Police (DSP) for the period beginning May 21, 2018 and ending May 31, 2022. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine DSP's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included firearm registration, payroll, cash receipts, accounts receivable, procurements and disbursements, information systems, and equipment inventories. We also determined the status of the findings contained in our preceding audit report.

Our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs (such as the Homeland Security Grant Program) and an assessment of DSP's compliance with those laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including DSP.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of May 21, 2018 to May 31, 2022, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of DSP's operations. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do

not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit.

We also extracted data from DSP's Maryland Automated Firearms Services System, handgun qualification licensing system (MyLicense) and firearm registration system (Licensing Portal) for the purpose of testing certain areas such as quality control reviews. We also extracted data from DSP's inventory system for the purpose of testing physical inventories of equipment. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

DSP's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records; effectiveness and efficiency of operations, including safeguarding of assets; and compliance with applicable laws, rules, and regulations are achieved. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to DSP, were considered by us during the course of this audit.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect DSP's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to DSP that did not warrant inclusion in this report.

State Government Article Section 2-1224(i) requires that we redact in a manner consistent with auditing best practices any cybersecurity findings before a report is made available to the public. This results in the issuance of two different versions of an audit report that contains cybersecurity findings – a redacted version for the public and an unredacted version for government officials responsible for acting on our audit recommendations.

The State Finance and Procurement Article, Section 3.5-301(b), states that cybersecurity is defined as “processes or capabilities wherein systems, communications, and information are protected and defended against damage, unauthorized use or modification, and exploitation.” Based on that definition, and in our professional judgment, we concluded that certain findings in this report fall under that definition. Consequently, for the publicly available audit report all specifics as to the nature of cybersecurity findings and required corrective actions have been redacted. We have determined that such aforementioned practices, and government auditing standards, support the redaction of this information from the public audit report. The specifics of these cybersecurity findings have been communicated to DSP and those parties responsible for acting on our recommendations in an unredacted audit report.

DSP's response to our findings and recommendations is included as an appendix to this report. Depending on the version of the audit report, responses to any cybersecurity findings may be redacted in accordance with State law. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise DSP regarding the results of our review of its response.

APPENDIX



WES MOORE
GOVERNOR

ARUNA MILLER
LT. GOVERNOR

STATE OF MARYLAND
MARYLAND STATE POLICE
1201 REISTERSTOWN ROAD
PIKESVILLE, MARYLAND 21208-3899
410-486-3101
TOLL FREE: 1-800-525-5555
TDD: 410-486-0677



COLONEL
ROLAND L. BUTLER, JR.
SUPERINTENDENT

February 20, 2024

Mr. Gregory A. Hook, CPA
Legislative Auditor
Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore, MD 21201

Dear Mr. Hook:

Please allow this correspondence to serve as a response to the final Office of Legislative Audits (OLA) Triennial Fiscal Compliance Report, which was received on February 5, 2024. This audit comprised several areas of performance, from May 21, 2018 through May 31, 2022, and disclosed a number of areas requiring corrective actions from the Maryland Department of State Police (MDSP). The Department's response to the findings and recommendations are included with this letter.

The MDSP appreciates the time and effort put forth by the OLA. The Department will continue to work with the OLA in all matters of mutual concern. Should you need additional information regarding our responses, please do not hesitate to contact Mr. John Wilhelm, Chief Financial Officer of our Strategic Planning Command. Mr. Wilhelm may be reached by telephone at 410-653-8230 or by email john.wilhelm@maryland.gov.

Thank you again for the opportunity to respond to this performance audit.

Sincerely,

Colonel Roland L. Butler, Jr.
Superintendent

RLB:jsb

cc: Mr. John Wilhelm, Chief Financial Officer, Strategic Planning Command

Attachment

Department of State Police

Agency Response Form

Firearm Licensing and Registration

Finding 1
DSP did not ensure that a sufficient number of quality control (QC) reviews of HQLs and firearm registrations were conducted, the reviews were independent and timely, and the results were properly tracked.

We recommend that DSP

- a. ensure that it performs the required number of QC reviews of approved firearm registration applications;**
- b. identify means or options for increasing the required number of HQL applications subject to QC reviews and retain documentation of the QC reviews to allow for verification and calculation of error rates;**
- c. complete QC reviews of selected HQL and firearm registration applications timely, in accordance with its written policies (repeat); and**
- d. ensure that QC reviews for approved HQL applications are performed by personnel independent from the initial approval of the applications being reviewed.**

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.	A review of the HQL and FRU Desktop Procedures for QC did not reveal a 30-day requirement to complete the QC review. Prior to the surge of applications in 2020, the FRU intentionally did not QC applications before 30 days in order to allow time for the transfer of the firearm to take place. This delay could be up to 90 days. Having the firearm transfer take place prior to the QC of the application assures that the entire QC of the application and the transfer of the firearm into MAFSS is accurate. The Licensing Portal is programmed to randomly select 10 percent of the previous month's firearm applications for QC.		
Recommendation 1a	Agree	Estimated Completion Date:	December 2024
Please provide details of corrective action or explain the disagreement.	The Licensing Portal programmatically returns the required number of firearm applications for QC (10%); however, the DSP is admittedly behind in the second review QC process. The firearms registration QC process returns an overall 10% of applications from the previous month. These applications are then placed in initial review QC or second review QC. Initial review QC refers to applications that have been investigated and "Not Disapproved" by a single employee. Second review QC refers to applications that have been reviewed and assigned a final disposition		

Department of State Police

Agency Response Form

	by at least two employees. The DSP is currently in the initial review QC process and backlogged in the second review QC process. The DSP has identified four firearms registration supervisors and developed a plan to eliminate the second review QC backlog by the end of the 2024 calendar year.		
Recommendation 1b	Agree	Estimated Completion Date:	May 2023
Please provide details of corrective action or explain the disagreement.	OLA is correct that in December 2021, the percentage of QC reviews were decreased from 10 percent overall to 1 percent of each employee (civilian and sworn) conducting HQL applications in the previous month. The change resulted from significant increases (140 percent) in HQL application volume beginning in Q2 of 2020 with no increase in permanent HQL supervisory personnel to accommodate the increased QC workload. It was also argued that the previous 10 percent was of the overall number of applications and that this change would aid the HQL supervision in detecting individual deficiencies since the new standard would provide a sample of each employee's work. In May 2023, the DSP amended the QC request to include a random 10 percent of the applications for each employee who processed HQL applications in the previous month for QC review. The HQL QC report will be copied and processed on a shared Google sheet, which will capture additional notes and statistical data. The HQL QC Desktop Procedure was amended to reflect this change.		
Recommendation 1c	Agree	Estimated Completion Date:	December 2024
Please provide details of corrective action or explain the disagreement.	The DSP could not locate a current policy or practice that requires the QC of HQL or 77R applications to be completed within 30 days. DSP is aware of the importance of completing these tasks in a timely manner and will do so to the best of our ability with the current supervisory staffing. While legislative-mandated processes (7 days for 77R and 30 days for HQL apps) must continue to take precedence, the DSP has formulated a plan and will designate supervisory personnel to address the backlogged 77R QC reviews. Considering the current average number of 77R applications the DSP is receiving per month, the DSP is anticipating that the second review QC process will be current by the end of the calendar year 2024. The initial review QC process is current and is being maintained monthly.		
Recommendation 1d	Agree	Estimated Completion Date:	May 2023
Please provide details of corrective action or explain the disagreement.	The current HQL Application Review & Quality Assurance Process Desktop Procedure (HQLAR&QAPDP) guides HQL supervisors in the Quality Control (QC) of HQL applications. At the beginning of every month, the HQL civilian supervisor submits a web helpdesk ticket to the		

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	DSP ITD requesting the QC report. Once received, the civilian supervisor provides a copy of the report to the HQL section supervisor, who disseminates this report to the HQL Corporal. As per HQLAR&QAPDP, the civilian supervisor is responsible for the QC of the civilian employee’s applications processed and the HQL sworn supervisors are responsible for the QC of the sworn employees. Sworn supervisors will QC each other’s applications processed. The established policy and procedures forbid a QC reviewer from QC reviewing an HQL application that the QC reviewers themselves processed.
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Finding 2
DSP did not have a comprehensive process to ensure the accuracy of all critical firearm registration data and the timely recordation of this data in MAFSS.

We recommend that DSP

- a. establish a comprehensive process to ensure that critical firearm data, such as serial numbers, are accurately recorded in MAFSS, and resolve the above-noted discrepancies (repeat); and**
- b. ensure that the firearm registration data is recorded in MAFSS in a timely manner.**

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.			
Recommendation 2a	Agree	Estimated Completion Date:	January 2024
Please provide details of corrective action or explain the disagreement.	The OLA identified 372,300 77R applications processed during the audit period, with approximately 600 instances where data entry errors were identified in MAFSS as compared to the Licensing Portal. This equates to a 0.16% error rate, and therefore meets the data entry industry standard error rate of 1% and is well below the established 4% acceptable error rate as documented in the AS I MS-22. The DSP continues to work with the Department of Public Safety and Corrections (DPSCS) to upgrade MAFSS. Despite numerous setbacks and changes in programming and managerial personnel within the DPSCS MAFSS project team, a significant amount of work has been completed and the system is now in the testing phase. The goal of the MAFSS update is to remove MAFSS from the DPSCS mainframe and convert it into a		

Department of State Police

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	<p>modernized platform. Realizing that the DPSCS is not developing the new MAFSS with data transfer abilities, the DSP has decided to discontinue MAFSS as the system of record and establish the Licensing Portal as such. MAFSS will continue as a legacy system and will continue to be updated when issues are found. The new goal is to create a pointer system within the Licensing Portal that will query both the data in the Licensing Portal and MAFSS to generate a complete firearm history without the need to manually query both systems. Firearm transfer data in MAFSS will be accurate through December 2022. All firearm transfer data beginning January 2023 will be located in the Licensing Portal. This policy shift eliminates the need to manually transfer data from one system to another, thereby eliminating the possibility of human data entry errors by DSP personnel.</p>		
Recommendation 2b	Agree	Estimated Completion Date:	January 2024
Please provide details of corrective action or explain the disagreement.	<p>The DSP is current with firearm transfer data entered into MAFSS through December 2022. Firearm transfer data after January 1, 2023, is accessible in the Licensing Portal.</p>		

Department of State Police

Agency Response Form

Firearm Dealer Audits

Finding 3
DSP firearm dealer audits were not supported.

We recommend that DSP maintain adequate supporting documentation for firearm dealer audits, including the specific documents and transactions reviewed.

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.			
Recommendation 3	Agree	Estimated Completion Date:	February 2022
Please provide details of corrective action or explain disagreement.	<p>The Dealer Inspection and Compliance Unit (ICU) of the DSP Licensing Division implemented several new methods in 2022 to ensure the correct information is being reviewed by auditors when reviewing regulated firearms dealer's (RFD) records and to ensure better tracking of the audit due dates. The ICU's Standard Operating Procedure (SOP) was reviewed in its entirety and re-written to accommodate for technology changes (paper 77R Applications vs electronic application via the Licensing Portal), accurate review of RFD records, information and data, more focused review of RFD records and transactions, and overall, more effective and efficient auditing methods. Laptops and cell phones have been provided to auditors to ensure the new methods are implemented, and auditors have access to the Licensing Portal when conducting audits. The information collected on the MSP Form 29-89 Compliance Inspection Report is more detailed to reflect the specific application numbers and firearm serial numbers reviewed. The Compliance Inspection Report, coupled with the ICU SOP, forms the procedures for how and what the auditors inspect. Additionally, the ICU has expanded from two auditors and a supervisor to a current roster of four auditors, one Admin Specialist, one support staff employee, and two sworn supervisors. This staffing enhances complete and timely audits as well as additional targeted and follow-up audits to ensure compliance after deficiencies are identified.</p>		

Department of State Police

Agency Response Form

Information Systems Security and Control

The Office of Legislative Audits (OLA) has determined that the Information Systems Security and Control section, including Findings 4 through 7 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(b) of the Annotated Code of Maryland, and therefore are subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Although the specifics of the following findings, including the analysis, related recommendations, along with DSP’s responses, have been redacted from this report copy, DSP’s responses indicated agreement with the findings and related recommendations.

Finding 4

Redacted cybersecurity-related finding.

Agency Response has been redacted by OLA.

Finding 5

Redacted cybersecurity-related finding.

Agency Response has been redacted by OLA.

Finding 6

Redacted cybersecurity-related finding.

Agency Response has been redacted by OLA.

Finding 7

Redacted cybersecurity-related finding.

Agency Response has been redacted by OLA.

Department of State Police

Agency Response Form

Cash Receipts

Finding 8
DSP had not established adequate controls over its cash collections and the related accounts receivables.

We recommend that DSP ensure that

- a. all collections are recorded immediately upon receipt (repeat),
- b. a documented independent verification of initial receipts to deposit is performed,
- c. adjustments to accounts receivable are subject to independent review and approval (repeat), and
- d. accounts receivable and cash receipts functions are properly segregated (repeat).

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.			
Recommendation 8a	Agree	Estimated Completion Date:	1/1/2023
Please provide details of corrective action or explain the disagreement.	Finance Division personnel immediately endorse and record cash receipts upon receiving them.		
Recommendation 8b	Agree	Estimated Completion Date:	1/1/2023
Please provide details of corrective action or explain the disagreement.	Finance Division has established a workflow to ensure independent verification of receipts is performed.		
Recommendation 8c	Agree	Estimated Completion Date:	1/1/2023
Please provide details of corrective action or explain the disagreement.	Finance Division has established procedures to ensure independent review and approval of adjustments is performed.		
Recommendation 8d	Agree	Estimated Completion Date:	1/1/2023
Please provide details of corrective action or explain the disagreement.	Finance Division has established the necessary segregation of duties related to accounts receivable and cash receipts.		

AUDIT TEAM

Catherine M. Clarke, CPA, CIA, CFE
Audit Manager

R. Brendan Coffey, CPA, CISA
Edwin L. Paul, CPA, CISA
Information Systems Audit Managers

Nelson W. Hopkins, CPA
Senior Auditor

Michael K. Bliss
Matthew D. Walbert, CISA
Information Systems Senior Auditors

Jammie A. Brown
Sporthi J. Carnelio
Jacob M. Kasten
Chau D. Mai
Jennifer N. Sayre, CFE
Staff Auditors

Joshua A. Nicodemus
Charles O. Price
Adam J. Steiner
Information Systems Staff Auditors